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SUBJECT: KAZAKHSTAN: ECONOMIC CRISIS AND AFGHANISTAN
DOMINATE SCO HEADS-OF-GOVERNMENT MEETING

Classified By: Ambassador Richard Hoagland, Reasons 1.4 (b) and (d)

11. (C) SUMMARY: The Shanghai Cooperation Organization (SCO) held a meeting of SCO heads of government in Astana on October 30. All four SCO observer states, as well as Afghanistan, also sent high-level representatives to the event. The SCO heads of government called for greater coordination in dealing with the effects of the global financial crisis, increased cooperation on energy, stronger transportation and communication links, and effective water management. In remarks to the attendees after the session ended, President Nazarbayev stressed the need for greater economic cooperation and praised the "Shanghai spirit." Kazakhstani MFA SCO Department Counselor Nadezhda Kim told us on November 3 that the global economic slowdown and Afghanistan were "burning questions" at the meeting. She also predicted that energy will become an increasingly important priority for the SCO. END SUMMARY.

CALL FOR GREATER COOPERATION

12. (U) The Shanghai Cooperation Organization (SCO) held a regular meeting of SCO heads of government in Astana on October 30. The five SCO member states were represented by Russian PM Putin, Chinese Premier Wen, Kazakhstani PM Masimov, Kyrgyz PM Chudinov, Tajik PM Oqilov, and Uzbek Deputy Prime Minister Azimov. The four SCO observer states were represented Indian Energy Minister Shinde, Mongolian PM Bayar, Pakistani Defense Minister Mukhtar, and Iranian Vice President Davoodi. Afghanistan was also invited to attend, sending Vice President Masood.

13. (U) The Kazakhstani press reported that the heads of government discussed several priorities for the SCO, including ways to combat the effects of the global financial crisis, increased cooperation on energy, stronger transportation and communication links, effective water resource management, and cooperation in disaster response. The session's final communique touched on many of these points. Kazakhstani PM Masimov proposed that SCO finance ministers gather for a meeting in Almaty in the near future to come up with a joint strategy for dealing with the global

financial crisis. He also suggested that the SCO create a permanent economic forum in order to give SCO government officials, businessmen, bankers, and international economic institutions a platform for an exchange of views. On energy, Masimov reiterated Kazakhstan's long-held position on the need to create a single energy market, stressing that "the SCO has all the necessary components to set up an energy community" and urging members to take this issue up in the upcoming meeting of SCO energy ministers.

¶4. (U) Other member states seconded the call for greater cooperation and integration. Chinese Premier Wen made a four-point proposal for increased cooperation which included creating special economic zones in border areas; increasing joint projects in the energy, transport and telecommunication spheres; coordination of financial policies; and increasing agricultural cooperation. Kyrgyz PM Chudinov called for a joint strategy on food security, infrastructure, and water use. Tajik PM Oqilov focused on poverty issues and the environment, while Uzbek Deputy PM Azimov raised the issue of cross-border rivers and transport.

OBSERVER STATES WANT TO EXPAND TIES

¶5. (U) Observer countries called for expanding ties with the SCO and asked for inclusion at working-level meetings of SCO members, rather than just at high-level meetings. Iranian Vice President Davoodi told the participants that expanding cooperation with regional and Asian countries is a top priority for his government. He stressed Iran's

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"geographical and historical closeness" to SCO members and highlighted the benefits members could derive from its oil and gas resources and technological knowledge. Mongolian PM Bayar expressed a readiness to join the SCO Business Council and offered to host its next session. Both Bayar and Davoodi expressed strong support for setting up a single energy and transport space.

NAZARBAYEV PRAISES "SHANGHAI SPIRIT"

¶6. (U) President Nazarbayev met with the attendees after the session had concluded. In his comments to them, Nazarbayev noted the adverse effects of the global financial crisis and called for greater economic, financial, and security cooperation. The SCO has what it takes "to make the organization a powerful economic force," he said, "but economic development cannot proceed without assuring security in the region." He said that "serious threats to stability" continue to exist and stressed the SCO's "important role as the engine of cooperation in Eurasia." "Kazakhstan is committed to the Shanghai spirit," he maintained, "and will continue to work for deeper cooperation within the SCO."

"BURNING ISSUES": ECONOMIC CRISIS, AFGHANISTAN

¶7. (C) Kazakhstani MFA SCO Department Counselor Nadezhda Kim gave us her assessment of the heads of government meeting on November 3. In the course of an informal and frank conversation, Kim told us that the global financial crisis and Afghanistan dominated the closed-door discussions. The global financial crisis has affected all SCO members, she said, and member states "are determined to find a joint solution." She ventured that one such solution is Kazakhstan's initiative to host a meeting of SCO finance ministers and central bank heads. Masimov's offer to host this event in Almaty at the beginning of next year was "wholeheartedly supported" by the participants, but getting members to follow through will "take lots of work," said Kim.

On the question of a common economic zone, in particular China's proposal to create special economic zones in border areas, Kim said that "such proposals have been put forward before," by both China and Kazakhstan, but "it's unlikely that they'll gain momentum any time soon." "Our economies are far too disparate, and the smaller economies are not yet

ready to open up to the giants," she assessed.

18. (C) Afghanistan was the second "burning question" for the heads of government meeting, said Kim. She reminded us that President Nazarbayev has frequently highlighted the dangers that extremism and narco-trafficking from Afghanistan pose to the region, and this meeting was no exception. She said Kazakhstan plans to hold an international conference on Afghanistan sometime next year, and will invite participation from the Central Asian states, the European Union, and the United States. Kim promised to keep us updated as plans for the conference develop.

RUSSIANS NOT ON BOARD ON COMMON ENERGY MARKET

19. (C) On energy, Kim said that Kazakhstan's idea of a common energy market "hasn't gained everybody's support." "The Russians have different ideas," she remarked without further elaboration. She repeated Masimov's words that "the SCO has all the necessary components for a common energy market -- suppliers, buyers, and transport corridors." She added that "certain supplier countries" are reluctant to give up their "independence of decision-making, especially when prices are as high as they are." The Kazakhstanis plan to raise the issue of a common energy market at the SCO energy ministers meeting, which will take place at the beginning of 2009. She predicted that energy will soon emerge as the top priority for the organization.

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